

**STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION**

IN THE MATTER OF DETERMINING
Whether there has been a violation
of the Securities Act of the State
of Washington by:

LDS Securities, LLC and Larry Dean Starchman;

Respondents

S-02-230-03-FO01

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL ORDER
CEASE AND DESIST AND IMPOSING FINE

THE STATE OF WASHINGTON LDS Securities, LLC and Larry Dean Starchman
TO:

On January 23, 2003, the Securities Administrator of the State of Washington issued Summary Order To Cease and Desist and Notice of Intent to Impose a Fine, S-02-230-03-TO01, hereinafter referred to as the Summary Order, to LDS Securities, LLC and Larry Dean Starchman.

The Summary Order, together with a Notice of Opportunity to Defend and Opportunity for Hearing (hereinafter referred to as "Notice of Opportunity for Hearing") and an Application for Adjudicative Hearing (hereinafter referred to as "Application for Hearing") thereon, were personally served on Larry Dean Starchman on February 9, 2003. The Notice of Opportunity for Hearing advised LDS Securities, LLC and Larry Dean Starchman, that each had twenty days from the date of receipt of the notice to file a written application for an administrative hearing on the Summary Order.

LDS Securities, LLC and Larry Dean Starchman each failed to request, either on the Application for hearing provided or otherwise, an administrative hearing within twenty days of receipt of the Statement of Charges and Notice of Opportunity for Hearing.

The Securities Administrator therefore will adopt as final the findings of fact and conclusions of law as set forth in the Summary Order.

ENTRY OF FINDINGS OF FACT AND
CONCLUSIONS OF LAW AND FINAL
ORDER CEASE AND DESIST AND
IMPOSING FINE

1 The Securities Administrator makes the following findings of fact and conclusions of law:

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3 FINDINGS OF FACT

4 Based upon the above Findings of Fact, the following Conclusions of Law are made:

5 Parties

6 I.

7 LDS Securities, LLC is a limited liability company with a mailing address of PO Box 478, Sultan,
8 WA 98294. LDS Securities, LLC was formed as a vehicle for day trading in securities.

9 II.

10 Larry Dean Starchman is manager of LDS Securities, LLC. Larry Dean Starchman was solely
11 responsible for conducting the day trading activities of LDS Securities, LLC. Starchman has been
12 registered as a securities salesperson in Washington with two different broker-dealers at different times. He
13 was registered with Prudential Securities from August 2, 1995 to November 27, 1996. He was registered
14 with AllTech Direct, Inc. from November 15, 2000 to March 7, 2001.

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16 Nature of The Offering

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18 III.

19 Beginning in April 1997 and continuing through August 2000, LDS Securities, LLC, through Larry
20 Dean Starchman, offered investments to Washington residents and residents of other states. LDS Securities,
21 LLC offered two types of investments. In one investment, the investor contributed capital to LDS
22 Securities, LLC and, in return, received a proportionate share of the day trading profits of the enterprise.

Under most versions of this agreement, Larry Dean Starchman was to receive 60% of the profits, while the investor group, collectively, was to receive the remaining 40%. The other investment offered a fixed rate of return. The rate of return on this investment was 25% per annum, to be paid in monthly installments. As with the profit-sharing investment, the funds invested in the fixed return investment were to be used for day trading in securities in the brokerage account that LDS Securities had established.

At least 27 investors invested a total of more than \$460, 000 in LDS Securities in at least 90 transactions. All but three of the investments were in the profit-sharing investment. Many of the investors had little investment experience. Many were acquaintances of Starchman's from the church he attended in Monroe, Washington. Some of the investors are elderly; a few are widows.

Starchman ceased trading for LDS Securities, LLC in the spring of 2000, after he had lost most of the money he had been trading for LDS Securities, LLC. Starchman traded in another account at another brokerage for about 10 days in 2001, until he lost the \$7,500 he had to trade, but otherwise has not traded since the spring of 2000.

Starchman sent letters to investors through March 2001. Starchman executed a modification to the investment agreement with one investor in the November 2001.

Misrepresentations and Omissions

IV.

Starchman, in offering LDS Securities, LLC investments, told potential investors that the risk of investing in the profit-sharing investment was limited because Starchman would close out all positions in the trading account at the end of each day and would liquidate the trading account and return the remaining

1 funds to investors if the account lost 25% in value. Starchman did not tell investors that LDS Securities,
2 LLC had no agreement with the brokerage firm where it had its account to liquidate the account if the
3 balance in it dropped by more than 25%. He also did not tell investors that the record keeping system for
4 LDS Securities, LLC was so poor that Starchman might not be able to determine whether the account had
5 dropped by 25% or more in value, or that, if he had been able to do so, he might not be able to liquidate all
6 the positions in the account in such a way as to effectively stop losses at 25%.

7 Starchman led investors to believe that 100% of their funds would be deposited into the LDS
8 Securities, LLC account and that Starchman would not withdraw funds from the account for his own use
9 except to take his share of the profits in the account. Starchman did not tell investors that he did not keep
10 track of whether his withdrawals from the LDS Securities, LLC brokerage or bank accounts were limited to
11 his percentage of the profits, nor did he tell them that he did not deposit all investor funds to the LDS
12 Securities, LLC brokerage account.

13 V.

14 LDS Securities, LLC is not currently registered to sell its securities in the state of Washington and
15 has not previously been so registered.

16 VI.

17 Larry Dean Starchman is not currently registered as a securities salesperson or broker-dealer in the
18 state of Washington and has not previously been so registered except as noted in Finding of Fact II. He was
19 not registered as a securities salesperson or broker-dealer in the state of Washington at the time of the sales
20 of LDS Securities, LLC investments described in Finding of Fact III.
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23 ENTRY OF FINDINGS OF FACT AND
24 CONCLUSIONS OF LAW AND FINAL
25 ORDER CEASE AND DESIST AND
26 IMPOSING FINE
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2 CONCLUSIONS OF LAW

3 I.

4 The offer or sale of LDS Securities, LLC investments described above constitutes the offer or sale of
5 a security as defined in RCW 21.20.005(10) and (12).

6 II.

7 The offer or sale of said securities is in violation of RCW 21.20.140 because no registration or
8 notification of claim of exemption for such offer or sale is on file with the Securities Administrator.

9 III.

10 Larry Dean Starchman has violated RCW 21.20.040 by offering or selling said securities while not
11 registered as a securities salesperson or broker-dealer in the state of Washington.

12 IV.

13 The offer or sale of said securities was made in violation of RCW 21.20.010 because, as described in
14 Finding of Fact IV, statements made in connection with the offer or sale were misleading or omitted
15 material information necessary for them not to be misleading.
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18 Based upon the above Findings of Fact and Conclusions of Law it is hereby

19 ORDERED that LDS Securities, LLC and Larry Dean Starchman; their agents and employees each
20 cease and desist from offering or selling securities in any manner in violation of RCW 21.20.140, the
21 section of the Securities Act of Washington requiring registration.
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1 It is further ORDERED that respondents, LDS Securities, LLC and Larry Dean Starchman, their
2 agents, and employees each cease and desist from violation of RCW 21.20.010, the anti-fraud section of the
3 Securities Act.

4 It is further ORDERED that Larry Dean Starchman cease and desist from violation of RCW
5 21.20.040, the section of the Securities Act that requires registration of securities salespersons and broker-
6 dealers.

7 IT IS FURTHER ORDERED that, pursuant to RCW 21.20.110, that respondents LDS Securities,
8 LLC and Larry Dean Starchman shall jointly and severally pay a fine in the amount of Twenty Thousand
9 Dollars \$20,000). Such payment shall be: (a) made by United States postal money order, certified check,
10 bank cashier's check or bank money order; (b) made payable to the Washington State Treasurer; (c)
11 delivered by certified mail to Deborah R. Bortner, Securities Administrator, Department of Financial
12 Institutions, PO Box 9033, Olympia, Washington 98507-9033; and (d) submitted with a cover letter that
13 identifies LDS Securities, LLC or Larry Dean Starchman as a Respondent under these proceedings, and
14 the Order and case number of these proceedings.

15 This Order is entered pursuant to RCW 21.20.390 and is subject to the provisions of RCW 34.05.

16 WILLFUL VIOLATION OF THIS ORDER IS A CRIMINAL OFFENSE.

17 DATED this 17th day of March, 2003.

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21 DEBORAH R. BORTNER
22 Securities Administrator

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Approved by:	Presented by:
Michael E. Stevenson	Suzanne E. Sarason
Chief of Enforcement	Financial Legal Examiner